



# DEPARTMENT OF THE TREASURY

Internal Revenue Service  
TE/GE EO Examinations  
1100 Commerce Street  
Dallas, TX 75424

501.03-00

**TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION**

Release Number: 201023057

Release Date: 6/11/10

LEGEND

March 16, 2010

ORG = Organization name    XX = Date    Address = address

ORG  
ADDRESS

Person to Contact:  
Identification Number:  
Contact Telephone Number:  
In Reply Refer to: TE/GE Review Staff  
EIN:

LAST DATE FOR FILING A PETITION  
WITH THE TAX COURT: June 15, 20XX

## **CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

Dear

This is a Final Adverse Determination Letter as to your exempt status under section 501(c)(3) of the Internal Revenue Code. Your exemption from Federal income tax under section 501(c)(3) of the code is hereby revoked effective January 1, 20XX.

Our adverse determination was made for the following reasons:

Organizations described in I.R.C. section 501(c)(3) and exempt under section 501(a) must be organized and operated exclusively for an exempt purpose. You have ceased operating as an exempt organization and providing any activities of any kind. ORG also is not a charitable organization within the meaning of Treasury Regulations section 1.501(c)(3)-1(d). You have not established that you have operated exclusively for an exempt purpose.

You failed to meet the requirements of IRC section 501(c)(3) and Treas. Reg. section 1.501(c)(3)-1(d) in that you failed to establish that you were operated exclusively for an exempt purpose.

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code. You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the year ending December 31, 20XX, and for all years thereafter.

Processing of income tax returns and assessment of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination in court, you must initiate a suit for declaratory judgment in the United States Tax Court, the United States Claim Court or the District Court of the United States for the District of Columbia before the 91<sup>st</sup> day after the date this determination was mailed to you. Contact the clerk of the appropriate court for the rules for initiating suits for declaratory judgment.

You also have the right to contact the office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above since this person can access your tax information and can help you get answers. You can call and ask for Taxpayer Advocate assistance. Or you can contact the Taxpayer Advocate from the site where the tax deficiency was determined by calling: Or you can contact the Taxpayer Advocate nearest you by calling, or writing to:

Taxpayer Advocate assistance cannot be used as a substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determinations, nor extend the time fixed by law that you have to file a petition in the United States Tax Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

We will notify the appropriate State Officials of this action, as required by section 6104(c) of the Internal Revenue Code.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

Nanette M. Downing  
Acting, Director  
EO Examinations



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**DEPARTMENT OF THE TREASURY**

Internal Revenue Service  
TE/GE EO Examinations  
1100 Commerce Street  
Dallas, TX 75242

March 16, 2010

ORG  
ADDRESS

Taxpayer Identification Number:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

Dear

We are sending the enclosed material under the provisions of your power of attorney or other authorization on file with us. For your convenience, we have listed the name of the taxpayer to whom this material relates.

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Nanette M. Downing  
Acting Director, EO Examinations

Enclosures:  
Final Letter

Taxpayer name: ORG



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**DEPARTMENT OF THE TREASURY**

Internal Revenue Service  
200 Sheffield Street, 3rd Floor  
Mountainside, NJ 07092

December 22, 2009

ORG  
ADDRESS

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

Certified Mail - Return Receipt Requested

Dear

We have enclosed a copy of our report of examination explaining why we believe revocation of your exempt status under section 501(c)(3) of the Internal Revenue Code (Code) is necessary.

If you accept our findings, take no further action. We will issue a final revocation letter.

If you do not agree with our proposed revocation, you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. Your protest should include a statement of the facts, the applicable law, and arguments in support of your position.

An Appeals officer will review your case. The Appeals office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly. The enclosed Publication 3498, *The Examination Process*, and Publication 892, *Exempt Organizations Appeal Procedures for Unagreed Issues*, explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

You may also request that we refer this matter for technical advice as explained in Publication 892. If we issue a determination letter to you based on technical advice, no further administrative appeal is available to you within the IRS regarding the issue that was the subject of the technical advice.

If we do not hear from you within 30 days from the date of this letter, we will process your case based on the recommendations shown in the report of examination. If you do not protest this proposed determination within 30 days from the date of this letter, the IRS will consider it to be a failure to exhaust your available administrative remedies. Section 7428(b)(2) of the Code provides, in part: "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted its administrative remedies within the Internal Revenue Service." We will then issue a final revocation letter. We will also notify the appropriate state officials of the revocation in accordance with section 6104(c) of the Code.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Nanette M. Downing  
Acting Director, EO Examinations

Enclosures:  
Publication 892  
Publication 3498  
Report of Examination

Form <b>886-A</b> (Rev. January 1994)	<b>EXPLANATIONS OF ITEMS</b>		Schedule number or exhibit 1
Name of taxpayer ORG	Tax Identification Number	Year/Period ended 12/ 31/20XX	

**LEGEND**

ORG = Organization name      XX = Date      motto = motto

**ISSUE: THE ORGANIZATION DISSOLVED WITH THE STATE AND DISTRIBUTED ITS ASSETS TO ORGANIZATIONS THAT ARE EXEMPT UNDER IRC SECTION 501(c)(3) AND OTHER SECTIONS. IS THE ORGANIZATION ABLE TO TERMINATE WITH THE INTERNAL REVENUE SERVICE?**

**FACTS:**

- The organization was granted exemption in 20XX under IRC Section 501(c)(3).
- The organization's primary activity was the conducting of motto games for senior citizens. This was the organization's primary and exclusive activity.
- This was brought to the organization's attention during an audit and they took the steps to willingly dissolve with the state and to terminate with the Service.
- The organization distributed its remaining assets to the homeowners association that its members belong to, the local PBA, to the local volunteer fire department, to a couple of hospitals and to a first aid squad.
- 72% of the organization's assets were distributed to organizations that are not exempt under IRC Section 501(c)(3) and 28% of their total assets were distributed to organizations that are exempt under IRC Section 501(c)(3).
- The organization's organizing documents state that upon dissolution that the organization's assets are to be distributed to organizations exempt under IRC Section 501(c)(3).
- The organization reported \$ in revenue and \$ in expenses for the year ended December 31, 20XX. This results in a tax owed of \$.
- Since the organization reported a loss of \$ in losses in the year ended 12/31/20XX and the NOL carryback would eliminate all of taxes owed in the prior year, the agent accepts the signing of the Form 6018 with no requirement for the organization to file Form 1120 or to pay income taxes on the amounts reported in the year ending December 31, 20XX.

**LAW:**

Internal Revenue Code §501(c)(3) exempts from federal income tax corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

Federal Regulations §1.501(c)(3)-1(a)(1) provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section.

Form <b>886-A</b> (Rev. January 1994)	<b>EXPLANATIONS OF ITEMS</b>		Schedule number or exhibit 1
Name of taxpayer ORG	Tax Identification Number	Year/Period ended 12/ 31/20XX	

Federal Regulations §1.501(c)(3)-1(c)(1) provides that an organization will not be regarded as operated exclusively for exempt purposes if more than an insubstantial part of its activities is not in furtherance of exempt purposes.

Federal Regulations §1.501(c)(3)-1(a)(4) provide that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt purposes, or to the Federal government, or to a State or local government, for a public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized. However, an organization does not meet the organizational test if its articles or the law of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders.

#### **GOVERNMENT'S POSITION:**

The organization distributed some of the assets to organizations that are not exempt under IRC Section 501(c)(3). This is a requirement for all organizations that would like to be exempt under IRC Section 501(c)(3). The organization failed to meet this requirement that is outlined in their organizing documents and as a result failed to continue to qualify for exemption.

#### **TAXPAYER'S POSITION:**

The organization's officials were not aware that donating the assets to other organizations would have any consequences. They were under the impression that they just had to donate the assets to an exempt organization. The organization has ceased operations and will agree to the revocation as a matter of procedure since they have already dissolved with the state.

#### **CONCLUSION:**

The organization failed to operate in a manner that is required of a 501(c)(3) organization when they decided to dissolve when they donated the organization's remaining assets to organization's that are not exempt under IRC Section 501(c)(3). The organization is therefore subject to revocation and the organization agrees to sign Form 6018 to show that they are amenable to revocation. Since the organization reported a loss of \$ in losses in the year ended 12/31/20XX and the NOL carryback would eliminate all of taxes owed in the prior year, the agent accepts the signing of the Form 6018 with no requirement for the organization to file Form 1120 or to pay income taxes on the amounts reported in the year ending December 31, 20XX.